

FDIC State Profile

Winter 2005

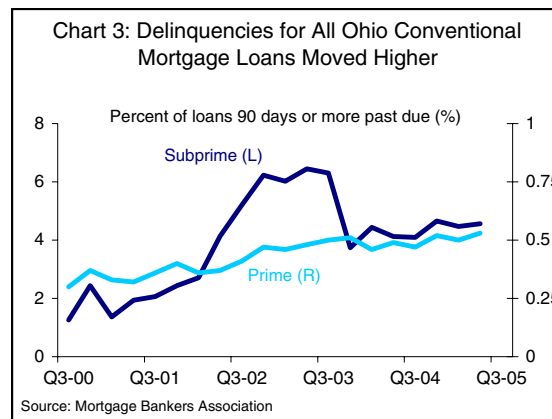
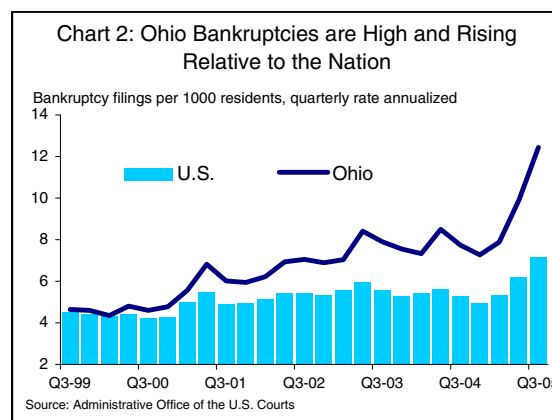
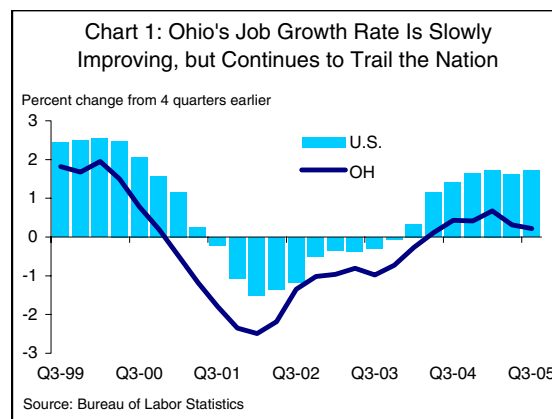
Ohio

Slow and uneven job growth persisted across Ohio sectors and cities.

- Ohio ranked 47th in the nation with an anemic year-over-year job growth rate of 0.2 percent in third quarter 2005 (see Chart 1). However, the state's unemployment rate fell to 5.8 percent as of third quarter, down from 6.2 percent a year ago, as new hiring grew more quickly than the labor force.
- Labor market conditions were uneven across Ohio's metro areas. Job gains were concentrated in the **Cincinnati** and **Columbus** metro areas, which accounted for 75 percent of net job gains, largely from hiring in the educational and health-services sectors. Job losses were concentrated in the **Dayton**, **Youngstown**, and **Cleveland-Elyria-Mentor** metro areas mainly from the retail trade, manufacturing, and local government sectors.
- Delphi's bankruptcy filing and General Motor's (GM) and Ford's recent announcement of plant closures likely will dampen future employment prospects. Many jobs will be at risk as GM, Delphi, and Ford are among the top 25 employers in the state.
- Insured institutions headquartered in areas with a high share of Delphi, GM, or Ford employment could see consumer credit weaken as affected bank customers and households face severe cuts in wages, healthcare coverage, and pension plans. Also, commercial credit may be affected among those suppliers who are heavily dependent on these auto companies.

Signs of financial stress remain for many Ohio households.

- Per capita bankruptcy rates for Ohio borrowers continue to remain high relative to the nation. The pace of personal bankruptcy filings spiked in third quarter 2005, likely reflecting the rush in filing before the new bankruptcy law went into effect (see Chart 2).
- Ohio continues to lead the nation in the share of home foreclosures. In third quarter 2005, 3.3 percent of Ohio home loans were in foreclosure, a rate slightly lower than the previous year but substantially higher than the national rate of 1.0 percent.



State Profile

- Delinquency rates on conventional prime and subprime mortgages in Ohio are rising (see Chart 3). Portfolio seasoning and rising interest rates could translate into some weakening in credit ratios prospectively.
- Ohio households face slightly higher heating bills relative to the nation, largely because of its colder climate conditions. The state ranks 23rd highest in the nation based on the number of heating degree-days per year.¹
- With Midwest natural gas prices projected to increase over 44 percent, Ohio households can expect higher natural gas bills this winter as approximately 75 percent of Ohio homes rely on natural gas as their main heating fuel.²

Ohio community institutions reported stable earnings performance.

- Aggregate profitability (return on assets) among Ohio-based community institutions declined slightly in third quarter 2005 from one year ago, as higher noninterest expenses offset higher noninterest income and lower provision expense.³
- Net interest margins were unchanged from a year earlier, as higher asset yields offset higher funding costs.

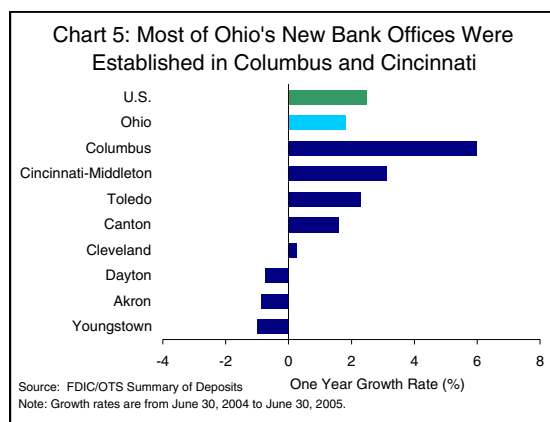
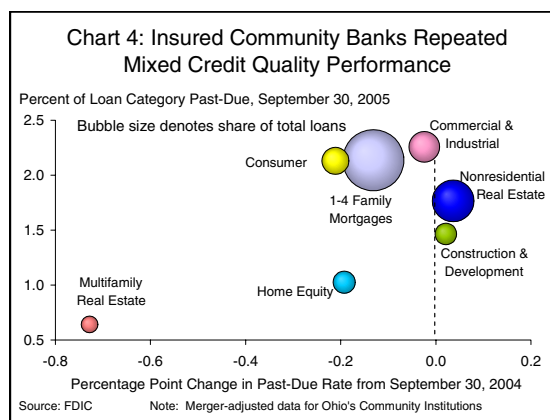
Credit quality continues to remain stable.

- Overall credit quality at insured community institutions remained stable despite uneven loan performance across major loan categories (see Chart 4). Past-due loan ratios for construction and development and nonresidential real estate loans moved higher since third quarter 2004.
- Despite a rapid increase in the use of piggyback loans in some areas of the country, insured institutions reported a relatively moderate level of these loans. The number of piggyback loans made in Ohio's Core Based Statistical Areas in 2004 as a percentage of 1-4 family home purchase loans was 7.0 percent, compared to 12.8 percent for the nation.⁴

Ohio's banking office growth was modest.

- For the year ending June 2005, Ohio's bank office growth rate ranked 35th in the nation as the state's bank office activity expanded by 1.8 percent to 3,714.

- Ohio's slower bank office growth and lower branch density (population to bank offices) relative to the national average is likely due to the state's weaker population growth rate and economic conditions.
- New bank office activity was concentrated in the Columbus and Cincinnati metro areas (see Chart 5). These metros make up 45 percent of Ohio's total deposits, yet accounted for 83 percent of net new bank offices for the year ending June 2005.
- Out-of-state banks have not entered Ohio as aggressively as some other states during the past decade. Several large institutions headquartered in Ohio maintain a high deposit market share within the state. As of mid-year 2005, out-of-state institutions owned only 4 percent of Ohio's total bank offices, compared to a median for all states of 33 percent.



¹Based on data from the National Oceanic and Atmospheric Administration using the average number of heating degree days for the past five years.

²Energy Information Administration/Short-Term Energy Outlook - December 2005.

³Community institutions are insured banks and thrifts with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

⁴Data reported by insured institutions as part of the Home Mortgage Disclosure Act. Piggyback loans refer to second liens on home purchase loans.

Ohio at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.2%	0.3%	0.4%	0.2%	-0.9%
Manufacturing (15%)	-0.4%	-0.4%	-1.1%	-2.2%	-4.7%
Other (non-manufacturing) Goods-Producing (5%)	-0.1%	0.2%	1.1%	1.6%	-2.2%
Private Service-Producing (66%)	0.5%	0.7%	0.9%	0.7%	-0.1%
Government (15%)	-0.4%	-0.7%	-0.2%	-0.1%	0.3%
Unemployment Rate (% of labor force)	5.8	6.1	6.2	6.1	6.2

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	5.2%	4.4%	4.2%	2.8%
Single-Family Home Permits	13.7%	10.3%	-8.3%	-3.4%	5.1%
Multifamily Building Permits	35.3%	3.2%	-8.8%	-12.5%	-8.0%
Existing Home Sales	7.3%	2.0%	-2.0%	8.9%	6.8%
Home Price Index	4.5%	5.0%	4.5%	4.0%	3.4%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	12.43	9.92	7.74	7.84	7.40

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	281	281	297	290	304
Total Assets (in millions)	1,626,037	1,580,100	680,874	1,579,718	647,503
New Institutions (# < 3 years)	5	3	4	4	5
Subchapter S Institutions	24	22	20	20	19

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.73	1.67	1.82	1.79	1.89
ALLL/Total Loans (median %)	0.98	0.99	1.01	1.00	1.07
ALLL/Noncurrent Loans (median multiple)	1.11	1.31	1.25	1.30	1.19
Net Loan Losses / Total Loans (median %)	0.06	0.05	0.07	0.13	0.12

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	9.71	9.59	9.50	9.43	9.26
Return on Assets (median %)	0.92	0.96	0.94	0.87	0.94
Pretax Return on Assets (median %)	1.27	1.32	1.27	1.20	1.32
Net Interest Margin (median %)	3.82	3.81	3.86	3.83	3.80
Yield on Earning Assets (median %)	6.01	5.85	5.49	5.48	5.76
Cost of Funding Earning Assets (median %)	2.16	2.00	1.71	1.71	2.03
Provisions to Avg. Assets (median %)	0.08	0.08	0.09	0.11	0.12
Noninterest Income to Avg. Assets (median %)	0.52	0.54	0.50	0.48	0.54
Overhead to Avg. Assets (median %)	2.86	2.81	2.74	2.75	2.73

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	71.6	71.4	70.3	70.4	68.9
Noncore Funding to Assets (median %)	19.8	19.5	18.0	18.8	17.7
Long-term Assets to Assets (median %, call filers)	22.9	24.1	24.6	24.4	25.5
Brokered Deposits (number of institutions)	69	71	70	71	64
Brokered Deposits to Assets (median % for those above)	4.3	3.8	4.4	3.3	3.9

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	38.5	37.4	43.2	43.5	42.4
Commercial Real Estate	154.4	158.0	145.3	148.7	142.6
<i>Construction & Development</i>	19.8	19.7	19.1	21.2	16.5
<i>Multifamily Residential Real Estate</i>	8.0	8.1	7.3	7.2	7.4
<i>Nonresidential Real Estate</i>	95.3	98.9	94.2	96.5	87.0
Residential Real Estate	326.0	323.6	325.1	327.4	330.6
Consumer	34.8	34.8	37.3	38.1	41.6
Agriculture	10.9	10.6	11.3	11.1	12.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Cleveland-Elyria-Mentor, OH	44	64,472	< \$250 million	203 (72.2%)
Cincinnati-Middletown, OH-KY-IN	87	37,080	\$250 million to \$1 billion	52 (18.5%)
Columbus, OH	57	28,762	\$1 billion to \$10 billion	16 (5.7%)
Akron, OH	27	9,812	> \$10 billion	10 (3.6%)
Dayton, OH	32	9,808		